

CITY OF MOUNDRIDGE

MOUNDRIDGE, KANSAS

Special Financial Statements

December 31, 2010

City of Moundridge, Kansas

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December 31, 2010

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Moundridge
Moundridge, Kansas 67107

We have audited the accompanying financial statements of the City of Moundridge, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2009 financial statements and, in our report dated July 7, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City, as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company LLC

Certified Public Accountants

July 6, 2011

City of Moundridge, Kansas

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2010

<u>Funds</u>	Unencumbered Cash Balance 12-31-09	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance 12-31-10	<u>Encumbrances</u>	Cash Balance 12-31-10
General	\$ 196,427	663,613	669,805	190,235	14,692	204,927
Special Revenue						
Employee benefit	23,040	103,447	109,554	16,933	-	16,933
Library	2,897	59,808	61,000	1,705	-	1,705
Street maintenance	140,847	117,608	164,248	94,207	-	94,207
Airport	60,204	34,758	32,398	62,564	-	62,564
Special street and highway	90,227	65,406	60,648	94,985	-	94,985
Equipment reserve	111,303	70,000	15,125	166,178	-	166,178
Municipal court	30,174	11,249	13,762	27,661	-	27,661
Park	10,164	8,644	12,829	5,979	-	5,979
Health risk management	37,570	-	5,519	32,051	843	32,894
Pack park	100,955	22,427	3,028	120,354	-	120,354
Enterprise						
Electric system	199,705	1,944,037	1,794,603	349,139	105,533	454,672
Electric revenue	123,574	-	-	123,574	-	123,574
Electric reserve	488,310	849,881	751,455	586,736	5,435	592,171
Gas	340,158	264,198	243,335	361,021	4,998	366,019
Water	26,915	76,122	88,544	14,493	6,094	20,587
Refuse						
Sewer system	40,448	121,177	122,758	38,867	-	38,867
Sewer revenue	119,565	-	17,628	101,937	-	101,937
Sewer replacement						
	2,142,483	4,412,375	4,166,239	2,388,619	137,595	2,526,214
Component Unit	50,497	78,505	78,414	50,588	1,925	52,513
Total Reporting Entity	\$ 2,192,980	4,490,880	4,244,653	2,439,207	139,520	2,578,727

City of Moundridge, Kansas
SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET
Year ended December 31, 2010

	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 677,600	-	677,600	669,805	(7,795)
Special Revenue					
Employee benefit	130,000	-	130,000	109,554	(20,446)
Library	61,000	-	61,000	61,000	-
Street maintenance	180,000	-	180,000	164,248	(15,752)
Airport	55,000	-	55,000	32,398	(22,602)
Special street and highway	85,000	-	85,000	60,648	(24,352)
Municipal court	16,000	-	16,000	13,762	(2,238)
Park	17,000	-	17,000	12,829	(4,171)
Enterprise					
Electric revenue	2,260,000	-	2,260,000	1,794,603	(465,397)
Gas	1,640,000	-	1,640,000	751,455	(888,545)
Water	315,000	-	315,000	243,335	(71,665)
Refuse	101,000	-	101,000	88,544	(12,456)
Sewer revenue	150,000	-	150,000	122,758	(27,242)
	<u>\$ 5,687,600</u>	<u>-</u>	<u>5,687,600</u>	4,124,939	<u>(1,562,661)</u>
Add expenditures for unbudgeted funds					
Special Revenue				23,672	
Enterprise				<u>17,628</u>	
Total expenditures, Primary Government				<u>\$ 4,166,239</u>	

City of Moundridge, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 190,252	228,191	222,631	5,560
Delinquent tax	862	3,164	700	2,464
Vehicle tax	19,718	24,249	21,760	2,489
Machinery and equipment aid	2,566	-	-	-
Payment in lieu of taxes - county	185	-	500	(500)
Airport state grant	144,705	-	-	-
County sales tax	198,898	196,513	175,000	21,513
Liquor tax	3,671	3,644	3,500	144
LHA payment in lieu of tax	12,668	13,429	13,000	429
Franchise fees	11,795	12,698	11,000	1,698
Ambulance	148,827	142,882	107,000	35,882
Permits and fees	2,175	2,295	1,700	595
Interest	28,013	13,377	20,000	(6,623)
Economic development grant	5,745	5,580	6,000	(420)
Other	17,213	17,591	10,000	7,591
	<u>787,293</u>	<u>663,613</u>	<u>592,791</u>	<u>70,822</u>
EXPENDITURES, Page 5	<u>788,412</u>	<u>669,805</u>		
Receipts over (under) expenditures	(1,119)	(6,192)		
UNENCUMBERED CASH, beginning	197,546	196,427		
UNENCUMBERED CASH, ending	<u>\$ 196,427</u>	<u>190,235</u>		

City of Moundridge, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
Administration				
Personal services	\$ 5,059	5,199	6,000	(801)
Commodities and contractual services	50,909	66,882	64,000	2,882
Capital outlay	-	6,932	-	6,932
Residential housing grant	36,000	-	30,000	(30,000)
Police				
Personal services	171,626	170,821	160,000	10,821
Commodities and contractual services	17,335	23,149	28,000	(4,851)
Capital outlay	3,502	1,300	3,000	(1,700)
Street				
Personal services	97,603	103,005	95,000	8,005
Fire				
Commodities and contractual services	-	-	24,000	(24,000)
Capital outlay	60,000	60,000	36,000	24,000
Refuse				
Personal services	7,280	7,280	8,500	(1,220)
Ambulance				
Personal services	129,982	137,457	115,000	22,457
Commodities and contractual services	47,028	41,654	50,000	(8,346)
Capital outlay	17,860	13,851	3,000	10,851
Library				
Commodities and contractual services	3,945	361	2,500	(2,139)
Airport and pool				
Commodities and contractual services	136,340	800	10,000	(9,200)
Custodian				
Contractual services	3,400	3,350	3,800	(450)
Historical association				
Commodities and contractual services	543	2,764	3,800	(1,036)
Transfers to other funds	-	25,000	35,000	(10,000)
Total expenditures	<u>\$ 788,412</u>	<u>669,805</u>	<u>677,600</u>	<u>(7,795)</u>

City of Moundridge, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
<u>EMPLOYEE BENEFIT FUND</u>				
RECEIPTS				
Ad valorem property tax	\$ 70,690	91,700	90,081	1,619
Delinquent tax	464	1,415	400	1,015
Vehicle tax	11,436	10,332	8,235	2,097
Payment in lieu of taxes	70	-	-	-
Machinery and equipment aid	972	-	-	-
	83,632	103,447	98,716	4,731
EXPENDITURES				
Health insurance	111,723	109,554	130,000	(20,446)
Receipts over (under) expenditures	(28,091)	(6,107)		
UNENCUMBERED CASH, beginning	51,131	23,040		
UNENCUMBERED CASH, ending	\$ 23,040	16,933		
<u>LIBRARY FUND</u>				
RECEIPTS				
Ad valorem property tax	\$ 56,940	52,241	51,300	941
Delinquent tax	216	812	100	712
Vehicle tax	3,994	6,755	6,632	123
Payment in lieu of taxes	57	-	-	-
Machinery and equipment aid	782	-	-	-
	61,989	59,808	58,032	1,776
EXPENDITURES				
Appropriations to library board	61,000	61,000	61,000	-
Receipts over (under) expenditures	989	(1,192)		
UNENCUMBERED CASH, beginning	1,908	2,897		
UNENCUMBERED CASH, ending	\$ 2,897	1,705		

City of Moundridge, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
STREET MAINTENANCE FUND				
RECEIPTS				
Ad valorem property tax	\$ 135,892	94,332	92,619	1,713
Delinquent tax	646	2,046	500	1,546
Vehicle tax	13,934	16,589	15,833	756
Payment in lieu of taxes	135	-	-	-
Machinery and equipment aid	1,867	-	-	-
Other	120	4,641	-	4,641
	<u>152,594</u>	<u>117,608</u>	<u>108,952</u>	<u>8,656</u>
EXPENDITURES				
Commodities	48,079	74,202	110,000	(35,798)
Contractual services	47,512	90,046	70,000	20,046
	<u>95,591</u>	<u>164,248</u>	<u>180,000</u>	<u>(15,752)</u>
Receipts over (under) expenditures	57,003	(46,640)		
UNENCUMBERED CASH, beginning	83,844	140,847		
UNENCUMBERED CASH, ending	<u>\$ 140,847</u>	<u>94,207</u>		
AIRPORT FUND				
RECEIPTS				
Ad valorem property tax	\$ 40,646	28	-	28
Delinquent tax	59	275	100	175
Vehicle tax	-	4,081	4,734	(653)
Payment in lieu of taxes	40	-	-	-
Machinery and equipment aid	559	-	-	-
Fuel sales	22,521	28,260	30,000	(1,740)
Hanger rent	1,005	2,114	3,000	(886)
	<u>64,830</u>	<u>34,758</u>	<u>37,834</u>	<u>(3,076)</u>
EXPENDITURES				
Commodities	29,683	29,739	15,000	14,739
Contractual services	8,220	2,659	40,000	(37,341)
	<u>37,903</u>	<u>32,398</u>	<u>55,000</u>	<u>(22,602)</u>
Receipts over (under) expenditures	26,927	2,360		
UNENCUMBERED CASH, beginning	33,277	60,204		
UNENCUMBERED CASH, ending	<u>\$ 60,204</u>	<u>62,564</u>		

City of Moundridge, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>SPECIAL STREET AND HIGHWAY FUND</u>				
RECEIPTS				
Gasoline tax	\$ 41,182	43,829	47,000	(3,171)
Connecting link	11,992	12,000	12,000	-
Other	14,385	9,577	15,000	(5,423)
	<u>67,559</u>	<u>65,406</u>	<u>74,000</u>	<u>(8,594)</u>
EXPENDITURES				
Commodities	16,154	49,420	85,000	(35,580)
Contractual services	36,863	11,228	-	11,228
	<u>53,017</u>	<u>60,648</u>	<u>85,000</u>	<u>(24,352)</u>
Receipts over (under) expenditures	14,542	4,758		
UNENCUMBERED CASH, beginning	75,685	90,227		
UNENCUMBERED CASH, ending	<u>\$ 90,227</u>	<u>94,985</u>		
<u>EQUIPMENT RESERVE FUND</u>				
RECEIPTS				
Transfers from other funds	\$ -	70,000		
EXPENDITURES				
Capital outlay	-	15,125	NOT APPLICABLE	
Receipts over (under) expenditures	-	54,875		
UNENCUMBERED CASH, beginning	111,303	111,303		
UNENCUMBERED CASH, ending	<u>\$ 111,303</u>	<u>166,178</u>		

City of Moundridge, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
<u>MUNICIPAL COURT FUND</u>				
RECEIPTS				
Fines	\$ 12,712	11,249	17,000	(5,751)
EXPENDITURES				
Legal services	2,180	3,894	5,000	(1,106)
Judges fees	6,300	6,600	4,000	2,600
Other court expense	5,909	3,268	7,000	(3,732)
	14,389	13,762	16,000	(2,238)
Receipts over (under) expenditures	(1,677)	(2,513)		
UNENCUMBERED CASH, beginning	31,851	30,174		
UNENCUMBERED CASH, ending	\$ 30,174	27,661		
<u>PARK FUND</u>				
RECEIPTS				
Transfers from other funds	\$ -	5,000	5,000	-
Liquor tax	3,671	3,644	3,500	144
Other	10	-	1,000	(1,000)
	3,681	8,644	9,500	(856)
EXPENDITURES				
Personal services	1,521	1,821	4,000	(2,179)
Commodities	2,976	3,129	6,000	(2,871)
Contractual services	2,432	3,119	7,000	(3,881)
Capital outlay	-	4,760	-	4,760
	6,929	12,829	17,000	(4,171)
Receipts over (under) expenditures	(3,248)	(4,185)		
UNENCUMBERED CASH, beginning	13,412	10,164		
UNENCUMBERED CASH, ending	\$ 10,164	5,979		

City of Moundridge, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
HEALTH RISK MANAGEMENT FUND				
RECEIPTS	\$ -	-		
EXPENDITURES				
Benefits paid	2,211	5,519	NOT APPLICABLE	
Receipts over (under) expenditures	(2,211)	(5,519)		
UNENCUMBERED CASH, beginning	39,781	37,570		
UNENCUMBERED CASH, ending	\$ 37,570	32,051		
PACK PARK FUND				
RECEIPTS				
Grain sales and other	\$ 334	22,427		
EXPENDITURES				
Commodities	946	2,798		
Contractual	5,996	230	NOT APPLICABLE	
	6,942	3,028		
Receipts over (under) expenditures	(6,608)	19,399		
UNENCUMBERED CASH, beginning	107,563	100,955		
UNENCUMBERED CASH, ending	\$ 100,955	120,354		

City of Moundridge, Kansas

Enterprise Funds**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
<u>ELECTRIC REVENUE FUND</u>				
RECEIPTS				
Sales	\$ 1,833,379	1,941,281	2,150,000	(208,719)
Connection fees and other	14,959	2,756	15,000	(12,244)
	<u>1,848,338</u>	<u>1,944,037</u>	<u>2,165,000</u>	<u>(220,963)</u>
EXPENDITURES				
Personal services	354,285	332,138	360,000	(27,862)
Commodities and contractual services	117,471	122,101	250,000	(127,899)
Electricity purchases	1,198,903	1,290,364	1,600,000	(309,636)
Transfers to other funds	-	50,000	50,000	-
	<u>1,670,659</u>	<u>1,794,603</u>	<u>2,260,000</u>	<u>(465,397)</u>
Receipts over (under) expenditures	177,679	149,434		
UNENCUMBERED CASH, beginning	22,026	199,705		
UNENCUMBERED CASH, ending	<u>\$ 199,705</u>	<u>349,139</u>		
<u>ELECTRIC RESERVE FUND</u>				
RECEIPTS				
Interest	\$ 1,347	-		
EXPENDITURES				
Contractual services	<u>13,498</u>	-	NOT APPLICABLE	
Receipts over (under) expenditures	(12,151)	-		
UNENCUMBERED CASH, beginning	135,725	123,574		
UNENCUMBERED CASH, ending	<u>\$ 123,574</u>	<u>123,574</u>		

City of Moundridge, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
<u>GAS FUND</u>				
RECEIPTS				
Sales	\$ 1,029,331	847,334	1,600,000	(752,666)
Connection fees and other	5,249	2,547	15,000	(12,453)
	<u>1,034,580</u>	<u>849,881</u>	<u>1,615,000</u>	<u>(765,119)</u>
EXPENDITURES				
Personal services	97,506	100,214	140,000	(39,786)
Contractual services	40,665	33,976	50,000	(16,024)
Commodities	25,989	27,822	50,000	(22,178)
Gas purchases	622,048	584,677	1,400,000	(815,323)
Capital outlay	-	4,766	-	4,766
	<u>786,208</u>	<u>751,455</u>	<u>1,640,000</u>	<u>(888,545)</u>
Receipts over (under) expenditures	248,372	98,426		
UNENCUMBERED CASH, beginning	<u>239,938</u>	<u>488,310</u>		
UNENCUMBERED CASH, ending	<u>\$ 488,310</u>	<u>586,736</u>		
<u>WATER FUND</u>				
RECEIPTS				
Sales	\$ 225,937	258,779	300,000	(41,221)
Connection fees and other	9,021	5,419	5,000	419
	<u>234,958</u>	<u>264,198</u>	<u>305,000</u>	<u>(40,802)</u>
EXPENDITURES				
Personal services	58,943	91,862	100,000	(8,138)
Contractual services	45,995	52,845	145,000	(92,155)
Commodities	59,972	98,628	70,000	28,628
	<u>164,910</u>	<u>243,335</u>	<u>315,000</u>	<u>(71,665)</u>
Receipts over (under) expenditures	70,048	20,863		
UNENCUMBERED CASH, beginning	<u>270,110</u>	<u>340,158</u>		
UNENCUMBERED CASH, ending	<u>\$ 340,158</u>	<u>361,021</u>		

City of Moundridge, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		
	2009 Actual	Actual	Budget	Variance - Over (Under)
<u>REFUSE FUND</u>				
RECEIPTS				
User fees	\$ 72,597	76,122	90,000	(13,878)
EXPENDITURES				
Personal services	10,456	13,245	12,000	1,245
Commodities	133	111	1,000	(889)
Contractual services	71,247	75,188	88,000	(12,812)
	81,836	88,544	101,000	(12,456)
Receipts over (under) expenditures	(9,239)	(12,422)		
UNENCUMBERED CASH, beginning	36,154	26,915		
UNENCUMBERED CASH, ending	\$ 26,915	14,493		
<u>SEWER REVENUE FUND</u>				
RECEIPTS				
User fees	\$ 117,269	120,727	135,000	(14,273)
Other	750	450	2,000	(1,550)
	118,019	121,177	137,000	(15,823)
EXPENDITURES				
Personal services	42,879	44,271	55,000	(10,729)
Commodities and contractual services	73,819	69,525	90,000	(20,475)
Capital outlay	10,777	8,962	5,000	3,962
	127,475	122,758	150,000	(27,242)
Receipts over (under) expenditures	(9,456)	(1,581)		
UNENCUMBERED CASH, beginning	49,904	40,448		
UNENCUMBERED CASH, ending	\$ 40,448	38,867		

City of Moundridge, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
<u>SEWER REPLACEMENT FUND</u>				
RECEIPTS	\$ -	-		
EXPENDITURES				
Contractual services	-	17,628	NOT APPLICABLE	
Receipts over (under) expenditures	-	(17,628)		
UNENCUMBERED CASH, beginning	119,565	119,565		
UNENCUMBERED CASH, ending	\$ 119,565	101,937		

City of Moundridge, Kansas
Component Unit
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>LIBRARY BOARD</u>		
RECEIPTS		
City of Moundridge - Library fund	\$ 61,000	61,000
State and local grants	14,598	6,784
Interest	725	584
Other	<u>2,182</u>	<u>1,742</u>
	<u>78,505</u>	<u>70,110</u>
EXPENDITURES		
Personal services	37,900	35,269
Books, periodicals and materials	24,373	19,896
Technology	11,841	-
Operating expenses and other	<u>4,300</u>	<u>6,060</u>
	<u>78,414</u>	<u>61,225</u>
Receipts over (under) expenditures	91	8,885
UNENCUMBERED CASH, beginning	<u>50,497</u>	<u>41,612</u>
UNENCUMBERED CASH, ending	<u>\$ 50,588</u>	<u>50,497</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Moundridge is a municipal corporation governed by an elected five-member council. These financial statements present the City of Moundridge (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Moundridge Public Library The City of Moundridge Library Board operates the City's public library. The City provides funding for the library through special revenue and general fund appropriations.

Related Organization

The Moundridge Housing Authority is a related organization that is not included in the financial reporting entity. The Authority was created to administer public housing programs authorized by the United States Housing Act of 1937, as amended. Revenues consist of housing assistance payments from the U.S. Department of Housing and Urban Development and rent received from eligible low income tenants.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for good and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles (GAAP), encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with GAAP. Capital assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year of 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication on notice hearing.
3. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was amended to increase expenditures in the Employee Benefit and Water Utility funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. BUDGETARY INFORMATION (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for enterprise reserve funds and the following special revenue funds:

Equipment Reserve Fund
Health Risk Management Fund
Pack Park Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. COMPLIANCE WITH KANSAS STATUTES

Depository Security Violation

The City's deposits were not adequately secured as required by K.S.A. 9-1402 and 9-1405 for approximately 8 days during the year ended December 31, 2010.

5. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the city is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2010, the City's investments included only bank certificates of deposit with a fair value of \$833,101, which are not subject to investment rating.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

5. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the City's deposits, including component units, was \$2,578,127. The bank balance totaled \$2,601,718. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$320,180 was covered by FDIC insurance and the remaining \$2,281,538 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2010:

	Primary Government	Component Unit	Total
Cash on hand	\$ 600	-	600
Financial institution deposits			
Checking accounts:			
Operating	1,268,461	6,583	1,275,044
Customer deposits	12,591	-	12,591
Savings and time deposits:			
Money market	411,461	12,432	423,893
Time deposits	833,101	33,498	866,599
	<u>\$ 2,526,214</u>	<u>52,513</u>	<u>2,578,727</u>

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Moundridge contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4.00% to 6.00% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute was 7.14% at December 31, 2010. The City of Moundridge contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$47,736 and \$41,236 and \$41,958 respectively, equal to the statutory required contributions for each year.

7. DEFERRED COMPENSATION PLAN

During the year ended December 31, 2003, the City began offering its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the plan, valued at current market prices, are held in trust for the benefit of the participants by the insurance company.

All amounts of compensation deferred under the plan as well as earnings attributable to those amounts are solely the property of the participant employees. Accordingly, the assets and related liabilities for the plan are not recorded in the accompanying financial statements.

The following schedule summarizes activity in the accounts maintained by the insurance company during the year ended December 31, 2010:

Balance, December 31, 2009	\$ 487,469
Deposits – compensation deferred by participants	45,288
Rollovers	-
Withdrawals	(12,904)
Change in market value	54,660
Costs	<u>-</u>
Balance, December 31, 2010	\$ <u>574,513</u>

8. COMPENSATED ABSENCES

Full-time employees earn vacation as follows:

Completion of one year of employment	6 days
Completion of two through five years of employment	12 days
Completion of six through ten years of employment	15 days
Completion of eleven through nineteen years of employment	20 days
After twenty years of employment	24 days

Unused vacation time has not been recorded as a liability in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

8. COMPENSATED ABSENCES (Continued)

Full-time employees earn 12 days of paid sick leave in one year of service which can be accumulated to a maximum of 100 days. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded in the accompanying financial statements.

9. SELF INSURANCE - RISK MANAGEMENT

The City maintains a Health Risk Management fund to partially self-insure the health insurance for employees. Under the City's health insurance plan, the City will pay the \$250 deductible for employees as well as the 20 percent co-pay of the next \$1,000 of medical expenses. The cost of the plan for the City was \$5,519 for the year ending December 31, 2010.

10. INTERFUND TRANSFERS

Transfers between funds consisted of the following during the year ended December 31, 2010:

	<u>Transfers From</u>		
<u>Transfers To</u>	<u>General</u>	<u>Electric</u>	<u>Total</u>
Equipment Reserve	\$ 20,000	50,000	70,000
Park	5,000	-	5,000
	<u>\$ 25,000</u>	<u>50,000</u>	<u>75,000</u>

11. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through July 6, 2011, which is the date at which the financial statements were available to be issued.